

Message Text

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22

ORIGIN ARA-10

INFO OCT-01 EA-07 ISO-00 EB-07 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 CEQ-01 EPA-01 IO-13 NSF-01 /123 R

DRAFTED BY ARA/ECP/ITE:SMAYFIELD:PAM

APPROVED BY ARA:HWSHLAUDEMAN

ARA/CEN/N:GGOWEN (DRAFT)

ARA/CEN:M EISSMAN (DRAFT)

ARA/PAN:DWAGNER (DRAFT)

EB/FSE:DHART (INFO)

EB/FSE:PBARBIAN (DRAFT)

FEA/IEA:RSANDS (PHONE)

ARA:JGRUNWALD (SUBSTANCE)

EA/IMS:ARDORNHEIM (SUBSTANCE)

----- 071265

R 091921Z DEC 76

FM SECSTATE WASHDC

TO AMEMBASSY MANAGUA

INFO AMEMBASSY GUATEMALA

AMEMBASSY JAKARTA

AMEMBASSY PANAMA RULPALJ

C O N F I D E N T I A L STATE 299530

E.O. 11652: GDS

TAGS: BENC, FCRE, EINV, ENRG, PFOR, SENV, ID, MU, PN, 'S

SLBJECT: NICARAGUA'S PROPOSED TRANS-ISTHMIAN PIPELINE

REF: MANAGUA 5474

SUMMARY: DEPT. HAS NO INFO ABOUT A GROUP SUPPOSEDLY INTERESTED IN TRANS-NICARAGUAN PIPELINE ALTHOUGH WE HAVE BEEN APPROACHED BY FERDANDO GALLO, WHO IS CURRENTLY PROMOTING A PIPELINE ACROSS GUATEMALA. FEA IS PREPARING A LENGTHY STUDY, WHICH HAS BEEN WIDELY REPORTED IN THE CONFIDENTIAL

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PRESS, OF ALTERNATIVES AVAILABLE FOR TRANSPORTATION OF

ALASKAN CRUDE. AT THIS POINT, PENDING COMPLETION OF FEA'S STUDY AND DEVELOPMENT OF CONCLUSIONS BASED UPON IT, EMBASSIES SHOULD AVOID GIVING ENCOURAGEMENT TO TRANS-ISTHMIAN PROJECTS. END SUMMARY.

1. NEITHER DEPARTMENT NOR FEDERAL ENERGY ADMINISTRATION (FEA) KNOW OF THE CALIFORNIA CONSORTIUM; OR THE MR. SAWYER MENTIONED BY PRESIDENT SOMOZA AS INVOLVED IN PROPOSED PROJECT. DEPARTMENT, FEA, AND OTHERS HAVE BEEN APPROACHED OVER PAST FEW MONTHS BY FERNANDO GALLO, APPARENTLY A GUATEMALAN BUSINESSMAN, WHO IS ACTIVELY PROMOTING CONSTRUCTION OF A TRANS-GUATEMALAN PIPELINE

AND WHO, WE UNDERSTAND, WAS AT AN EARLIER POINT INVOLVED IN PLANS FOR OTHER PIPELINES ACROSS CENTRAL AMERICA. GALLO CLAIMS STRONG FINANCIAL AND GOV BACKING ALTHOUGH THERE IS LITTLE OR NO SUBSTANTIATION OF THESE CLAIMS.

2. DEPARTMENT POUCHING TO ALL ADDRESSEE ECON OFFICERS (EXCEPT JAKARTA) UNCLASSIFIED "EXECUTIVE SUMMARY", DATED 11/30/76, OF A STUDY BY FEA ENTITLED 'AN ANALYSIS OF THE ALTERNATIVES AVAILABLE FOR THE TRANSPORTATION AND DISPOSITION OF ALASKAN NORTH SLOPE CRUDE. THE STUDY, WHICH IS NOT YET READY IN FINAL FORM, HAS BEEN WIDELY REPORTED IN THE PRESS. IT DESCRIBES THE PROBLEM AT ISSUE, I.E., AN EXCESS OF APPROXIMATELY 600,000 BARRELS/DAY BY 1978 AND 1 MILLION BARRELS/DAY BY 1980 OF ALASKAN CRUDE IN THE WEST COAST REGION AND NECESSITY TO MOVE THE EXCESS TO ALTERNATIVE MARKETS. IT DISCUSSES VARIOUS TRANSPORTATION METHODS AND OTHER ALTERNATIVES: I.E., FOUR POTENTIAL PIPELINE SYSTEMS, BRIEFLY SUMMARIZED BELOW, AS WELL AS AVAILABILITY AND USE OF TANKERS THROUGH THE PANAMA CANAL AND AROUND CAPE HORN, AND THE POSSIBILITY OF EXCHANGE AGREEMENTS WITH CANADA OR JAPAN. IT DISCUSSES THE ALTERNATIVES IN TERMS OF ECONOMICS, ENVIRONMENTAL CONSIDERATION, TIME OF CONSTRUCTION, FINANCING, ETC. BUT DOES NOT TRY TO RECOMMEND A PARTICULAR COURSE OF ACTION. IT DOES PLACE THE IDEA OF A TRANS-ISTHMIAN PIPELINE IN PERSPECTIVE, HOWEVER, AS ONE OF SEVERAL ALTERNATIVES, SOME OF WHICH MAY BE MORE ATTRACTIVE.

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3. PIPELINE ALTERNATIVES ANALYZED ARE AS FOLLOWS: (A) TRANS-PROVINCIAL PIPELINE, FROM KITIMAT, BRITISH COLUMBIA, TO EDMONTON, CONNECTING WITH EXISTING PIPELINES SERVING NORTHERN TIER U.S. REFINERIES; (B) NORTHERN TIEP PIPELINE, NEW PIPELINE RUNNING FROM PORT ANGELES, WASHINGTON TO CLEARBROOK, MINN.; (C) SOHIO/EL PASO PIPELINE INVOLVING NEW TERMINAL FACILITY AT LONG BEACH

AND COMBINATION OF NEW PIPELINE AND REVERSAL OF NATURAL GAS LINE TO BE LEASED FROM EL PASO NATURAL GAS CO., CONNECTING AT MIDLAND, TEXAS FOR MOVEMENT TO GULF REFINERIES; (D) CENTRAL AMERICAN PIPELINE THROUGH GUATEMALA FROM LAS LISAS TO SAN FRANCISCO DEL MAR SPONSORED BY THE CENTRAL AMERICAN PIPELINE CO. (GALLO'S OUTFIT). THERE IS NO MENTION OF A PIPELINE THROUGH NICARAGUA. DRAFT STUDY STATES THAT SEVERAL OTHER PROPOSALS (UNSPECIFIED) ARE IN "TALKING STAGES BUT NOT FAR ENOUGH ALONG TO BE CONSIDERED SERIOUSLY.

4. ALTHOUGH THE STUDY WHEN COMPLETED WILL PROBABLY MAKE

NO RECOMMENDATION REGARDING THE MOST ACCEPTABLE ALTERNATIVE, IT WILL SERVE AS A BASIS FOR USG POLICY DECISIONS. THE EXECUTIVE SUMMARY IMPLIES THAT TANKER SHIPMENT VIA THE PANAMA CANAL WOULD SEEM TO BE THE MOST VIABLE ALTERNATIVE PENDING PIPELINE COMPLETION, SINCE ALL OF THE PIPELINE PROJECTS WILL REQUIRE 2-3 YEARS FOR COMPLETION, WHILE SURPLUS ALASKAN CRUDE WILL BEGIN TO ACCUMULATE NEXT YEAR.

5. IN TALKING WITH HOST GOVERNMENT OFFICIALS WHO MAY APPROACH EMBASSY FOR SUPPORT OF TRANS-ISTHMIAN PIPELINE PROJECTS, EMBASSY SHOULD TRY TO PLACE PROJECT IDEAS IN PERSPECTIVE VIS-A-VIS OTHER PROPOSALS WHICH MAY HAVE MORE ECONOMIC AND/OR POLITICAL JUSTIFICATION. FEA'S ANALYSIS IS NOT YET FINISHED AND, FURTHERMORE, FINAL DECISION ON THE BEST METHOD TO DISPOSE OF ALASKAN CRUDE MAY ULTIMATELY REST WITH THE CONGRESS. HENCE GON SHOULD NOT BE GIVEN IMPRESSION THAT US WILL SUPPORT TRANS-ISTHMIAN PIPELINE. ROBINSON

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